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EAST EUROPE BRANCH NOTES

April 9, 1974

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HUNGARY

Austrian Bank in Budapest?

The Austrian newspaper Die Presse claims that Hungary has officially given permission to Creditanstalt-Bankverein, Austria's largest banking concern, to open a branch in Budapest. If the claim is true, it would be the first Western bank to establish an office in Hungary and a major step towards other permanent Western business representation in the country. The establishment of permanent Western firms has apparently been a controversial issue in Hungary, even though the Soviets (who supposedly set the lead) have moved much further in this area than the Hungarians.

Last month's shakeup in the Hungarian leadership was a setback to those advocating Western business representation. If the Hungarians agreed to the Austrian bank before then, Vienna may be trying to test Budapest's intentions in the wake of the shakeup. If Hungarian acquiescence has come more recently, however, it clearly is an effort by Budapest to dampen Western speculation on the meaning and depth of the March blow to liberal strength in the leadership.

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EAST GERMANY

East Berlin and Bonn Set Opening of Missions

The East and West German governments yesterday jointly announced that they will open their permanent missions on May 2, thus carrying out the agreement reached on March 14. The missions are not expected to become operational until early June.

Typical of the atmospherics accompanying formal relations is the sharp exchange this past week between West German President Heinemann and the East German press. In a speech in West Berlin on April 3, Heinemann warned that despite recent agreements, the GDR still has designs on West Berlin. The East German press service retorted that this remark was "a defamation of the peace policy of the GDR." Later, by quoting the West Berlin Communist paper, it charged that Heinemann was discharging official functions in West Berlin, contrary to the four-power agreement.

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